



# PLANNING AND EXPANSION CONTENT GROUP

August 24, 2001



## Recap of Stage 1 Decisions

- RTO West has ultimate responsibility for planning and expansion of RTO West Controlled Transmission Facilities
  - To understand proposal, need to keep in mind distinction between “p”lanning (identifying and evaluating problems, developing solutions, informing the market) and “P”lanning (decision-making authority for going forward with a project)



## Recap of Stage 1 Decisions

- Distinguishes between “transmission adequacy” and “congestion relief”
  - Transmission adequacy assures that, irrespective of the cost of energy, there is sufficient transmission to deliver energy to serve load
  - Recognizes that distinction may be difficult to make, but content group is currently developing workable criteria



# Recap of Stage 1 Decisions

## Transmission Adequacy

- PTOs have front-line responsibility to meet transmission adequacy criteria for their systems (so, initially, PTOs have both “p” and “P” planning responsibility with respect to transmission adequacy) and must demonstrate to the RTO that it has met the criteria
- The RTO independently evaluates a PTO’s demonstration of compliance with transmission adequacy criteria and, if necessary, has backstop authority to compel the PTO to expand to satisfy unmet criteria



# Recap of Stage 1 Decisions

## Transmission Adequacy Issue

- Transmission adequacy is limited to PTO facilities that have been turned over to the RTO for operational purposes (with a limited exception)
  - Some parties have requested that the backstop authority apply to PTO facilities that have not been turned over to RTO but that are needed for purposes of wholesale service
  - Others believe it is inappropriate for the RTO (and FERC) to have responsibility for quality of service of distribution facilities
  - This issue will be discussed at 8/31 PLCG meeting



## Recap of Stage 1 Decisions

### Congestion Relief

- RTO has “p”lanning responsibility for expansion to relieve congestion – Identify, Evaluate, Develop Solutions, Inform
- Marketplace (including transmission owners) has “P”lanning Decision Making Authority



## Stage 2 Work

- Primary Ground Rule – Stay with Stage 1 decisions unless a consensus can be reached to modify
- To date, the PLCG has recommended limited modifications to the Stage 1 decisions (although there are some parties who did not support some of the original Stage 1 decisions and still advocate that they be changed)



## Planning Proposal

- RTO West will have an open planning process that:
  - Involves all interested parties
  - Considers non-transmission solutions and other least-cost considerations (*PLCG still working through details*)





## Planning Proposal

- Provides information and analysis regarding the entire RTO West system (both with respect to current and projected transmission adequacy and congestion)
- Ensures transmission adequacy



# Planning Proposal

- In order to provide the greatest likelihood that the market will step forward and expand the system as appropriate, RTO West will be proactive with respect to:
  - Identifying and anticipating problems related to congestion;
  - Developing potential solutions to those problems (including specific proposals); and
  - Facilitating/Encouraging market sponsors to step forward and implement solutions through an open season subscription process



## Planning Proposal

- RTO has authority to allocate the costs (i) of projects the RTO caused to be built and (ii) of market-sponsored projects to the extent they confer a transmission adequacy benefit
- RTO will require that new facilities mitigate any negative impacts to the transfer capability of the RTO West System
- This process will not prevent individual project sponsors from taking the lead in developing and constructing new facilities



## Recommendations



# Annual Plan Recommendation

- The RTO should have annual plan containing:
  - RTO West's evaluation of the RTO West System
    - Transmission adequacy
      - PTO's demonstration of adequacy
      - Further Input from PTOs/LSEs/Marketers
      - Review by RTO
    - Reliability issues (including notification to non-PTOs of issues identified on their system)
    - Congestion “hot spots” irrespective of ownership (both current and projected)
    - Limited corridor issues



# Annual Plan Recommendation

- Project Proposals
  - PTO Project Proposals to Meet Transmission Adequacy Criteria
  - RTO Project Proposals
    - Congestion Relief Proposals (Includes RTO Authorized Proposals and Open Season Proposals)
    - Transmission Adequacy Backstop Proposals
  - Other Sponsored Proposals
- List of Committed Projects



## Expansion to Relieve Congestion

- Content Group considered whether RTO West should have authority to cause expansion to relieve congestion
- There is tension between market-driven expansion and RTO authority to relieve congestion
  - Some stakeholders do not believe that market-driven expansion will result in necessary expansion (which concern resulted in the RTO transmission adequacy backstop); many of these stakeholders also believe that it is difficult and inappropriate to make a distinction between transmission adequacy and congestion relief (*this is addressed in detail in the PNCG white paper*)
  - Others believe that RTO authority to relieve congestion will undermine the market – if there is a possibility that the RTO will build and spread the costs beyond a single beneficiary, market sponsors will never come forward but will wait for the RTO to take action and assign the costs, at least in part, to others



## Expansion to Relieve Congestion –

- Options that were considered:
  - Complete (“unbridled”) authority to expand to relieve congestion
  - Limited authority to expand to avoid the cost of residual congestion that would otherwise be uplifted to RTO schedules
  - Limited authority to expand to avoid long-term operational costs that would otherwise be uplifted
  - Limited authority to expand to mitigate market power
  - Limited authority to to expand to ensure corridor optimization





## Recommendation

- RTO should have limited authority to cause expansion
  - To avoid residual congestion costs that would otherwise be uplifted to RTO schedules
  - To avoid long-term operational costs that would otherwise be uplifted



## Rationale

- RTO is the only party that receives cost signals relating to residual congestion and long-term operational costs that are uplifted
- RTO in good position to implement fixes
- Allocation is straightforward as all schedules benefit from avoidance or reduction of uplifted costs



## Conclusion Regarding Other Options

- Complete authority
  - Rejected in Stage 1;
  - Majority of the PLCG does not support it at this time;
  - PNGC, BC Hydro and possibly others would support this option



## Conclusion Regarding Other Options

- Market Power Mitigation
  - Will be addressed by other mechanism (Market Monitor)
- Limited Corridors
  - RTO will have a planning principle that limited corridors should be optimized
  - RTO will fully analyze and disclose results of analysis regarding corridor optimization
  - RTO should leave final decision regarding use of limited corridors to state siting agencies, project sponsors